

Thomas-Jensen

Affirmation

Exhibit # 19

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND**

STATE OF NEW YORK; et al.,

Plaintiffs,

v.

C.A. No. 1:25-cv-00039-JJM-PAS

DONALD TRUMP, in his official capacity as
President of the United States; et al.,

Defendants.

DECLARATION OF KORI KAPPES

I, Kori Kappes, declare as follows:

1. I am a resident of the State of Arizona. I am over the age of 18 and have personal knowledge of all the facts stated herein, except to those matters stated upon information and belief; as to those matters, I believe them to be true. If called as a witness, I could and would testify competently to the matters set forth below.

2. I am the Chief Financial Officer for the Department of Economic Security (“DES”) for the State of Arizona. I have held that position since April 13, 2024.

3. I have compiled the information in the statements set forth below through personal knowledge, through DES personnel who have assisted me in gathering this information from our agency, and on the basis of documents that have been provided to and/or reviewed by me.

4. DES administers approximately 60 programs focused on delivering specialized services to align with the needs of the Arizona community and the Department’s program areas. DES programs recognize and address essential factors influencing health outcomes for Arizonans

of all ages, including access to healthcare, child care, stable employment, child support, benefit eligibility, elder care, and secure housing.

5. DES receives approximately \$6 billion in federal funding each State Fiscal Year. This funding is largely contingent upon investments from the State's General Fund that are identified to the federal government and enable DES to draw down federal grant awards. This means that the state is required to identify on federal reports the state investment or "match" in order to draw in federal funding for immediate expenditure.

6. On average, DES leverages approximately 90% of DES General Fund appropriations it receives by the State to access federal funds. Without the applicable available federal funds, state investments are far more limited. This means that should the federal funds be unavailable, DES could not match state funding with federal grants, and DES would operate only on the state funding received, which is insufficient to operate the required benefit programs.

7. DES draws down federal funds primarily through three different systems:

- a. The federal Payment Management System ("PMS"), which holds the majority of federal awards for DES, including all funding from the U.S. Department of Health and Human Services and U.S. Department of Labor;
- b. G5, which holds funding from the U.S. Department of Education; and
- c. The Automated Standard Application for Payments ("ASAP") system, which holds funding from the U.S. Department of Agriculture.

8. On average, DES spends approximately \$15-20 million per day on operational and client expenses, including payroll, vendor payments, and direct client benefits. On a weekly basis, DES draws in funding for over 50 different federal grants to support DES expenditures. DES follows the federally required Cash Management Improvement Act ("CMIA") as outlined in 31

CFR Part 205 and the applicable State Policy SAAM-70-55. This guidance minimizes the time between the transfer of funds to the states and the payout of those funds to the applicable programs and ensures that federal funds are available when requested.

Funding Disruptions

9. On January 27, 2025, DES became aware of the Office of Management and Budget's memorandum M-25-13 titled "Memorandum for the Heads of Executive Departments and Agencies" or ("OMB Memo"). The OMB Memo directed all federal agencies to "temporarily pause all activities related to obligation or disbursement of all federal financial assistance[.]" According to the OMB Memo, the temporary pause was to become effective on January 28, 2025, at 5:00PM EST, which is 3:00PM Arizona time.

10. Despite this, at 12:00 pm Arizona time on January 28, 2025, DES was unable to draw down any federally appropriated and awarded funding from the Payment Management System ("PMS"), including approximately \$200 million in grants from the Departments of Labor and Health and Human Services. PMS access was not restored until approximately 1:00 pm on January 28, 2025.

11. Had the disruption identified in paragraph ten (10) above lasted longer or should it resume DES's ability to draw down federal funding would have caused harm. DES would have been unable to fulfill payment and contract obligations, as well as administer client benefits in a timely manner. Payment transactions within the statewide accounting system ("AZ360") would eventually reject due to insufficient funding, thus impacting client services and administrative functions.

12. As of February 3, 2025, federal funding disbursements are being reviewed and in some instances are being delayed. DES is experiencing the impact of the delay regardless of the

requested disbursement amount. This is a departure from pre-OMB Memo practices. Prior to January 28, 2025, federal draw requests were typically received within one (1) business day. Since January 28, 2025, federal draws are taking up to three (3) business days.

Communications Regarding Federal Funding

13. Beginning on February 2, 2025, DES received noticed of the Temporary Restraining Order (“TRO”) issued in the above-captioned case from its federal partners. As of this Declaration, the only federal partners that DES has not received a TRO communication from are: United States Department of Agriculture and United States Department of Housing and Urban Development.

Ongoing Risk of Harm

14. Generally, DES’s budget is appropriated over multiple State Fiscal Years and DES relies on the receipt of federal funds already awarded to the State to ensure the stability of DES operations.

15. Without federal funding, DES lacks sufficient funds to cover its program costs and expenses for more than a few days. Even a temporary delay to funding could render DES unable to operate the programs upon which over three million Arizonans rely. Any federal funding disruptions will cause a significant and immediate negative impact on the health and safety of Arizona’s vulnerable children and adults.

16. If the federal funding is again paused, blocked, denied or delayed suddenly, DES may also be unable to ensure vendor payments or meet its contractual obligations, which could cause DES to violate state law and lead to permanent cancellation of federally funded grant programs. All of this would directly and negatively impact Arizona citizens served by DES, and could be adverse to the State as well.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on February 5, 2025, in Phoenix, Arizona.

Kori Kappes
Kori Kappes
Chief Financial Officer, Department of
Economic Security, State of Arizona